

## **Chapter 38**

### **Special Programs/Projects**

#### **38-1. General**

This chapter contains guidance for programs/projects not addressed elsewhere in this regulation. These areas are: transfer of accounting functions, special considerations for DBOF base closure and reduction in force actions, the U.S. Army Family Housing (AFH) accounts, and DBOF capital budgeting.

#### **38-2. Professional requirements**

Accountants will be familiar with accounting policies and procedures, and other related guidance applicable to this chapter.

#### **38-3. Responsibilities**

Finance and accounting officers/defense accounting officers and accountants will ensure that accounting principles and standards are applied to the areas covered in this chapter.

#### **38-4. Transfer of Accounting Functions.**

a. These procedures apply when:

- (1) Transferring a portion or all of the accounting functions from one activity to another.
- (2) Transferring an established mission organization from one type of funding to another. For example, O&M funding to DBOF funding.
- (3) Closing the books of a mission organization that is no longer operational.

b. Identify the specific functions to be transferred from the losing activity, and the disposition of any functions transferred.

(1) Specific negotiations will have already taken place between the activities, and specific functions will have, in some cases, been identified for disposition, other than transfer.

(2) Selected functions will be excluded during the initial identification of functions to be transferred. Follow-on actions will identify and remedy any initial oversight, and specific directions will be provided once these follow-on actions are complete.

(3) Pending final negotiations, all functions excluded from initial negotiations will remain with the current organization.

c. Identify and validate resources, both physical and personnel, to be transferred by the losing activity, and any split in funding responsibilities incident to the transfer.

(1) Activities will have negotiated and identified resources to be transferred incident to the functional transfer.

(2) Activities must reach agreement relative to the adequacy/accuracy of the initial resources. Follow-on actions will identify resources not recognized in the original negotiations, and specific directions will be

provided commensurate with finalized agreements.

(3) Commensurate with the omission of some functions in the initial negotiations, a level of resources available for transfer remain unidentified. All actions taken will be consistent with the previously negotiated agreements, and any subsequent directions provided as a result of the current actions in process.

d. Identify any interim funding method and the intended duration.

(1) Each activity has budgeted for a level of effort for the functions transferring from the losing activity. Funding is either direct or reimbursable.

(2) Amounts budgeted will be identified and used to fund the initial year of operations of the transferred functions of the gaining activity.

(3) Funding documents will be provided to the gaining activity identifying customer funding for the functions transferred which was identified as mission or overhead workload to the losing entity.

(4) Accordingly, in the transfer year, the gaining activity will bill, at a prorated rate, for the services provided, unless otherwise directed.

e. Review all outstanding financial encumbrance documents and determine if the commodity or service on order is a valid requirement.

(1) Determine who has a requirement for validated orders (losing or gaining activity), and take the actions necessary to cancel invalid orders or to ensure that valid requirements are funded by the activity validating the requirement.

(2) Agreements may exist between the losing installation, for the provision of services by the transferring functions, to customers on a reimbursable basis. Reimbursable agreements which are in place for the transferring functions to provide normal services provided up to the point of transfer, will continue, if appropriate, between the gaining activity and the customer.

(3) It is essential that such reimbursable agreements be identified, and that the gaining activity and the customer negotiate an agreement for continued service.

(4) Where agreements exist for any other support services to be provided by the functions transferring, and these services are to continue as a function of the gaining activity, reimbursable agreements will be negotiated between the gaining activity and the customer.

(5) Identify reimbursable support provided by others.

(a) Under the current concept of operations of the DBOF, the gaining activity must reimburse all providers for services and support received.

(b) This support includes base operating support and other costs consistent with products or services provided to the business. Intra-Service Support Agreements (ISSAs) or Service Support Agreements

(SSAs) will be negotiated to define reimbursable support to be provided and received.

(c) The activity's management command will coordinate efforts with the installations in determining if the Military Inter-departmental Purchase Request (MIPR) funding will be at the installation or Military Service/Defense Agency level.

(6) Identify reimbursable support provided to others.

(a) The gaining activity will be providing support to others. Accordingly, the gaining activity will ensure that all such areas of support are identified, and ISAs established where the gaining activity is the service-provider.

(b) Similar coordination is required with management command to determine the level at which funding documents will be issued, and billings processed.

f. Determine validity and subsequent disposition of all general ledger account balances at the losing activity related to the functional transfer.

(1) *Budgetary Accounts.*

(a) *Outstanding commitments, obligations and unfilled customer order at sites where only certain functions are transferred.* There should be no automatic transfer of account balances from the losing activity to the gaining activity.

1. Funds will not be transferred, only the functions at the sites. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity or if documents will be modified to reflect the gaining, or responsible activity, fund cite and paying office.

2. In instances where accountability remains identified to the losing activity, a reimbursable support agreement will be negotiated, and accounting support will continue to be provided by the losing activity and paid for by the gaining activity.

(b) *Outstanding commitments.*

1. Outstanding commitments exclusively for transferring functions at the losing activity should be canceled, but only when managed in coordination with the gaining activity to ensure that the procurement cycle is not interrupted.

2. Concurrent with cancellation at the losing activity, the new commitment will be entered into the accounting system by the gaining activity, and purchases under the document will reflect the gaining activity as the accountable entity.

3. In those cases where cancellations of the outstanding commitment will unduly interrupt the purchase cycle, MIPRs citing gaining activity funding will be provided to the losing activity.

(c) *Undelivered orders/outstanding obligations.*

1. Undelivered order/outstanding obligation account

balances shall not be transferred from the losing activity to the gaining activity without validation.

2. All undelivered orders/outstanding obligations which are directly related to transferring functions at the losing activity shall be reviewed, and decisions made on the appropriate disposition for each transaction.

3. Undelivered orders/outstanding obligations for items or services no longer required shall be canceled, and any termination costs which result from the cancellation shall be funded by the losing activity.

4. If obligations support a continuing need, a modification to the order must be issued.

5. If the negotiated transfer agreement requires, the gaining activity shall coordinate with the losing activity to issue changes to undelivered orders to reflect the gaining activity as the requesting activity, the funding activity and the paying activity.

6. Documents containing current fiscal year or DBOF funding should normally be modified to cancel the obligation identified to the losing activity, and a new obligation created identified to the gaining activity.

7. Documents citing prior fiscal year funds must be reviewed, and a decision made by the losing activity, as to whether to permit delivery of goods or services for their own use, or to allow delivery to the gaining activity. Funding for such deliveries to gaining activities may be with or without reimbursement by the gaining activity.

8. Existing obligations for partial orders may also require modification to correct the fund cite to be consistent with the negotiated agreement for provision of the support on a reimbursable or non reimbursable basis.

(c) *Unfilled customer orders.*

1. Unfilled customer order account balances shall not be transferred from the losing activity to the gaining activity without validation.

2. Unfilled customer orders with customers citing current funding which are directly related to transferring functions shall be reviewed to determine what orders for goods or services remain outstanding, and the activity responsible for providing these goods or services to the customer.

3. If goods or services are to be provided by the gaining activity, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision.

4. Amendments to modify the unfilled customer order to cancel any action at the losing activity, and to establish the order at the gaining activity shall be jointly prepared.

5. Customer orders citing prior year funding will be reviewed to determine if the gaining activity must perform the work under a reimbursable request from the losing activity. In such instances, the losing

activity will continue to bill the customer, and return any remaining balances after orders are completed.

(d) *Transfer of orders at sites where the entire installation is transferred.*

1. Where an entire installation is transferred, or consolidated into a new business area, the actions outlined above are also required.

2. Transactions outstanding prior to the transfer remain on the accounting records of the losing entity until canceled and reissued as a gaining activity responsibility.

3. Determine any continuing requirements during the review conducted in accordance with the preceding directions.

4. The losing activity will continue to account and report the results of those transactions outstanding prior to the transfer, to include all prior fiscal years.

(2) *Transfer of assets.*

(a) *General.* Ownership of selected assets, such as equipment, hardware, software, furniture, and so forth, necessary to the performance of the functions being transferred shall transfer to the gaining activity. An agreement shall be negotiated between the losing and the gaining activity as to those specific assets to be transferred. Assets required exclusively in support of the transferring function shall be transferred to the gaining activity. Ownership of shared assets shall be determined based upon the preponderance of use. An inventory shall be taken of all items to be transferred, and a listing compiled of all assets which shows each assets nomenclature, acquisition value, the number of years and dollar value of accumulated depreciation as of the date of transfer, the expected remaining life, the date of installation, and any other locally required data.

(b) *Fixed assets.* It is imperative that assets be removed from the accountable records of the losing activity in the same period, and at the same value, as they are included in the accountable records of the gaining activity.

1. The losing activity will credit the applicable asset account and debit the Transfers-Out to Others Without Reimbursement for the recorded value of the asset.

2. The gaining activity will record the same value as a debit to the coinciding asset account and as a credit to the account Transfers-In from Others Without Reimbursement account.

3. Both of the transfer actions should occur in the same accounting period.

4. The gaining activity will record the transaction based on notification by the losing activity or a designated liaison office.

5. The listings compiled to document the asset transfer shall be retained to support the entries.

(c) *Construction in progress.*

1. Ownership of assets under development, that is, management initiatives or software under

development, shall also be transferred to the gaining activity where such efforts are directly related to the functions being transferred.

2. The losing activity will credit the Construction In Progress account, and credit the Transfers-Out to Others Without Reimbursement for the value of work completed to date.

3. Concurrently, the gaining activity will record the same value in the Construction in Progress account and the equity account Transfers In from Others Without Reimbursement.

4. Both of the transfer actions should occur in the same accounting period.

5. The gaining activity will record the transaction based on notification by the losing activity or the designated liaison office.

6. Assets transferred during construction will require appropriate adjustments in the capital budget authority for the respective activities to ensure authority for the gaining activity to complete the asset.

(d) *Inventory on hand.* Inventory on hand is the primary product of the Supply Management and Commissary Resale business areas; however, all business areas have some form of inventory for either sale or consumption.

1. The absolute value of inventory for which accounting is to be transferred cannot reasonably be validated prior to transfer. Representatives from both the losing and gaining activity will jointly review the most current physical and financial inventory reconciliation records available, and the schedule for future reconciliation's.

2. Concurrently, any financial inventory values or other financial transactions which appear abnormal will be jointly reviewed, and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate.

3. It is imperative that records of inventory accountability being transferred be as reasonably accurate as possible. Inventory accounting transfers will be based upon the mutually validated on hand values of the accountable records of the losing activity. If accountability is to continue to be maintained using existing supply and financial records, the validation requirements detailed above remain the same. The losing activity will record the agreed upon inventory value by crediting Inventory for Agency Operations and debiting Transfers Out to Others Without Reimbursement. The gaining activity will record the agreed upon inventory value by debiting Inventory for Agency Operations and crediting Transfers In from Others Without Reimbursement.

(e) *Inventory In Transit.* Inventory in transit is the value of items moving between a contractor or other government supplier, and a DoD supply activity, or

between storage locations within a Military Service or Defense Agency.

1. Amounts posted to this account are based upon ownership accepted, or payments made for materiel not yet physically received.

2. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt.

3. Where practical, each document should be reviewed for validity.

4. In those instances where transactions are determined to be invalid, action should be initiated in accordance with current policy, to adjust the amount represented by these documents from accountable records.

5. As is the case with the inventory records, it is imperative that records supporting the transfer of accountability for inventory in transit be as accurate as possible. Inventory in transit values transferred will be based upon the mutually validated value of documents supporting inventory in transit values recorded in the accountable records of the losing activity.

6. Adjustment amounts will be included on the accountable records of the losing activity.

7. If accountability is to continue to be maintained using existing financial records, the validation requirements detailed above remain unchanged. The losing activity will record the agreed upon inventory value by debiting Transfers Out to Others Without Reimbursement and crediting Inventory In Transit. The gaining activity will record the agreed upon inventory value by debiting Inventory in Transit and crediting Transfers In from Others Without Reimbursement.

(f) *Accounts Receivable.*

1. Accounts Receivable recorded in the records of the losing activity will be jointly reviewed by representatives of the losing and gaining activities.

2. Amounts recorded as receivable for which there is little likelihood of collection will be reviewed, and appropriate action taken, consistent with current published policy, to adjust these receivable values from accountable records.

3. Accounts receivable values transferred will be based upon the mutually validated accounts receivable values on the accountable records of the losing activity.

4. Adjustment amounts will be included on the accountable records of the losing activity. If accountability is to continue to be maintained using existing financial records, the validation requirements detailed above remain unchanged.

(3) *Transfer of Property.* The following actions are required incident to the transfer of property (Capital Assets) from one DoD entity to another:

(a) Losing and gaining activities shall reach a preliminary agreement as to the specific property to

be transferred, and compile an inventory of the property.

(b) An agreement shall be reached between the losing activity and gaining activity as to Capital Assets to be transferred.

(c) Conduct a joint inventory between representatives of the losing and gaining activity and mutually verify availability of property scheduled for transfer.

(d) Take action to dispose of property no longer workable, and remove any financial accountability from the losing activity for property disposed of, or not otherwise available for transfer.

(e) After validation of assets to be transferred, a final listing shall be compiled showing all pertinent information for the assets agreed upon for transfer.

(f) Losing activities must provide copies of physical custody control records to gaining activities and prepare accountability transfer documents.

1. The losing activity will provide the gaining activity copies of all Property Record Cards (or similar physical custody records) used to maintain physical control of each item included on the final listing of assets to be transferred. Maintain in accordance with AR 735-5.

2. Transfer documents will be prepared concurrently to remove asset accountability from the records of the losing activity. It is important that those documents which are provided to the gaining activity support the initial acquisition value of each item, the date the item was placed in service, and any depreciation accumulated on the item to date.

a. A copy of each transfer document will be provided to the gaining activity to support the value of Capital Asset accountability to be established.

b. Each transfer document will identify the losing and gaining activity, by name and Department of Defense Activity Address Code (DODAAC).

c. The documents must contain sufficient data to permit any accumulated depreciation to be recorded by the gaining activity.

3. Criteria for the capitalizing and establishment of accountability for property and other fixed assets is provided. The gaining activity will confirm that all items listed on the copies of transfer documents received from losing activities conform to these criteria, which are as follows:

a. Items which were acquired prior to October 1, 1991, (or October 1, 1990, if previously stock funded) shall be capitalized if the acquisition value was \$5,000 or more.

b. Items which were acquired after October 1, 1991, but before October 1, 1993, shall be capitalized if the acquisition value was \$15,000 or more.

c. Items which were acquired after October 1, 1993 shall be capitalized if the acquisition value was \$25,000 or more.

4. Debit Transfer-Out to Others Without Reimbursement and Accumulated Depreciation on Equipment and Credit Equipment to record loss of asset on the losing organizations books.

5. Debit Equipment and credit Accumulated Depreciation on Equipment and Transfer-In From Others Without Reimbursement to record gain of asset on the gaining organizations books.

6. Gaining activities must establish physical custody and control of assets transferred using copies of physical custody control records provided by the losing activities, and prepare accountability acceptance documents.

*a.* Each gaining activity will prepare new property records (DoD Property Record (DD Form 1342)) for each item of equipment.

*b.* Computer generation of DoD Property Records is authorized if the data element are included in the same order as on the printed DD Form 1342.

*c.* Official property Custody records will be maintained by the gaining activity.

*d.* Copies of documents received from the losing activity will be utilized as the basis for establishment of accountability by the gaining activity. Documents received will be verified against the final listing of assets to be transferred after joint inventory and disposition of any questionable items/values.

*(g)* Specific property items require custody accountability and control, but are not included in the financial records of the DAO/FAO activity. Items in this category are those not meeting capitalization criteria, that is, furniture, fixtures, and office equipment; all equipment that is "Classified" or "sensitive" which does not meet the capitalization threshold; and all equipment or items that are pilferable in nature.

*(h)* Custody accountability records will be established by the gaining activity consistent with property control requirements applicable to each category of property. The value used for custody records will be that amount mutually agreed to by the losing and gaining activities. Availability and usability of all assets transferred will be mutually validated by representatives of the losing and gaining activities. Controls will be established to ensure applicable security measures or other safeguards are implemented consistent with applicable requirements for each category of asset transferred and ensure care and maintenance of the property.

*(4) Transfer of Liabilities.* Liabilities for assets received and not paid for, or which ownership has been accepted and the asset not received, necessary to the performance of the functions being transferred, as well as those required for functions remaining with the losing activity will remain with the losing activity.

*(a) Accounts Payable.* All accounts payable currently recorded shall be jointly reviewed and

validated. Appropriate action will be taken, consistent with current Military Service or Defense Agency published policy, to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Accounts payable values transferred will be based upon the mutually validated transactions on the accountable records of the losing activity. Any adjustment amounts will be included on the accountable records of the losing activity. If accountability is to continue to be maintained using existing financial records, the validation requirements detailed above remain unchanged.

*(b) Liabilities Assumed.* The liability for annual leave for losing activity employees transferring becomes a liability to the gaining activity, as of the date of the transfer. This liability will be recorded on the respective records in the appropriate equity and liability accounts. The losing activity will provide a listing to identify individuals transferring which will confirm the value of the leave liability.

*(5) Equity.* Under the current concept of operations of the Defense Business Operations Fund, an increase to equity is recognized when an activity operating within the Fund receives an asset which will not require the use of authority earned to finance replacement of the item. Conversely, a decrease to equity is recognized each time an activity provides an asset to another activity for which funding authority to replace the item will not be earned, or for the liabilities it assumes, that is, leave liability. Entries vary depending on what is being transferred, and the various situations have been covered in the preceding paragraphs detailing various transactions that impact equity.

*g.* Determine new fund citation, and new or revised data structure.

*(1) Providing new fund citations.*

*(a)* As segments of losing activities transfer from their present command to a gaining activity, the segments are funded by the gaining activity.

*(b)* The gaining activity will ensure that the appropriate fund citation is provided to those installations transferring to its command.

*(c)* The fund citations provided must include the applicable accounting classification code, and must also identify any applicable fund code(s), either system unique, or DoD wide, or both.

*(d)* The fund citation will be used on all accounting documents for which financial accountability is transferred to the gaining activity.

*(e)* All obligating documents such as Contracts, Small Purchase actions, Travel Orders, Training Requests, and so forth, will contain the gaining activity accounting classification code.

*(f)* Requisitions prepared for purchase of materiel from military supply system or the General Services Administration will cite the fund code which identifies the appropriate gaining activity funds.

(g) The gaining activity will ensure that the proper fund code is provided, and that instructions for preparation of requisitions are provided sufficient to ensure billing to the proper accountable activity.

(2) *Establishing Department of Defense Activity Address Codes (DODAACs) and/or Unit Identification Codes (UICs).*

(a) Each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DODAACs will be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of transactions for accounting and reporting.

(b) Concurrently, each transfer will be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems codings have been established consistent with the transfer status of the new entity.

h. Other specific actions required to accomplish the accounting transfer are:

(1) *Payroll.*

(a) The transfer of payroll processing will always be accomplished at the beginning of a pay period.

(b) When the pay periods of the losing and gaining activities are not the same, an agreement will be negotiated between the activities as to the date to be used for transfer.

(c) The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity will also be responsible for payment for any unused compensatory time, and merit pay bonuses earned for the fiscal year by transferring employees.

(d) When transfers occur at the beginning of a fiscal year, the pay period seldom begins with the first day of the new fiscal year. As a result, gaining activities will likely be required to reimburse losing activities for all payroll costs for that time period within the pay period of the transfer which falls within the new fiscal year.

(e) The gaining activity will provide a MIPR, citing gaining activity operating funds, to reimburse the losing activity for these costs paid.

(f) The gaining activity will also obligate and accrue an estimated value for these labor costs with charge to the appropriate accounts for unit cost purposes.

(2) *Travel documents in process.* Travel documents in process shall remain with the losing activity.

(a) Travel advances and outstanding travel obligations for travel which has occurred, or is in process, shall remain with the losing activity pending settlement.

(b) Only travel for transferring activity personnel begun after the effective date of the transfer will be an obligation of the gaining activity.

(c) The losing and gaining activity shall jointly

review outstanding travel documents and de-obligate those no longer valid.

(d) Where temporary duty (TDY) begins before and ends after the effective transfer date, travel documents will contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods.

(e) Separate travel documents for each period are recommended.

(f) Copies of all related travel documents will be provided to both the losing and gaining activities to ensure proper processing.

(g) The losing activity will prepare the travel order, and make appropriate disbursements.

(h) Amounts charged to the gaining activity will be processed under the Transaction for Others procedures by the losing activity.

(i) Losing activities will always obtain authority to cite gaining activity funding on travel orders.

(3) *Contractor payments.* A contract modification must be sent to contractors, under normal change procedures for each contract for which the responsibility for contract payment is transferred from a Military Service or Defense Agency. This is necessary to advise the contractor of a change in paying office.

(4) *Internal control.* The gaining activities will develop procedures to control and manage the accounting changes required within the systems. Account control totals and other internal control mechanisms will be developed and used to insure that the integrity of the accounting system is maintained.

(5) *Reporting.* Each new Defense Business Operations Fund or Unit of Cost installation is identified to a business area for financial management, accounting, and reporting purposes. Dissemination of all information necessary to ensure proper accounting and reporting under the new structure is essential. The appropriate Military Service or Defense Agency will provide specific instructions to new installations, including points of contact, office symbols and phone numbers, in order to continue the reporting function in an efficient and effective manner.

### **38-5. Special considerations for DBOF base closure and reduction in force actions**

a. The policies in this section apply to the inactivation and/or decapitalization of DBOF activities. It is impossible to cover all possible conditions, command decisions will be required in many cases. Refer major unresolved problems through the MACOM and U.S. Army Finance Command (USAFINCOM) to the DFAS-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-1026.

b. Reimburse the DBOF for expenses resulting from base closure, decapitalization, and reduction actions from appropriated funds.

c. Use the following procedures for closing out and disposition of assets and liabilities, after notification of ASD(C) approval to inactivate:

(1) Establish a date for completion of work and services. This date will precede the previously announced closing date by sufficient time to permit an orderly liquidation of the activity's accounts.

(2) Promptly notify all customers, creditors, and other interested parties of the closing date.

(3) Advise customers of the status of the orders to be completed before closing and the estimated total cost. Also identify those orders which will not be completed.

(4) Ship uncompleted work, bill customers, collect accounts receivable, and reduce work-in-process to zero before the closing date.

d. Continue to apply overhead and accelerated labor to individual jobs or services at the fixed rate established on receipt of the base closure notification. Derive the fixed rates from the overhead rates in effect at the time of the base closure notification. Consider any increase in actual overhead or any increase over normal sick leave usage due to the effect of the base closure as costs incidental to the closure. Fund that portion identified as an increase to these costs from the operating appropriations of the managing DA component. Do not revise fixed price agreements to include base closure costs. Attribute overruns and fixed-price variances occurring after notification to the decline in direct man-hour productivity. Finance with the operating appropriation of the managing DA activity.

e. Make a detailed analysis of diminishing workload in relation to overhead expenses to ensure that all costs are properly charged to customers. Freeze overhead rates and apply to customers' orders. When warranted, adjust due to unforeseen and unprogrammed expenses. However, these rates cannot be changed without DFAS-IN/AM approval.

f. Do not charge expenses arising from decisions to close bases or reduce activity to DBOF customers' orders. Reimburse these costs from the operating appropriation of the DBOF command responsible for management control of the activity. The command responsible for management control of the closing activity will ensure adequate and timely funding of the base closure costs. A limited amount of costs may be incurred under locally established orders. However, do not perpetuate this temporary device.

g. Charge costs of plant closing, layaway, and custody to operating appropriations. (Examples of these costs are equipment lay-away, preservation, and operation and maintenance expenses of facilities and equipment held in standby or pending disposition.)

h. Redistribution of residual DBOF inventories (packing, crating, handling, and transportation (PCHT)) is a base closure cost. Redistribute other inventories, although physically located under custody of the DBOF activity, separately from appropriations available for supply support operations. This includes DBOF-SMA materiel. Fund PCHT costs incurred in the transfer of any equipment to non-U.S. Army activities with funds provided by the recipient.

i. Charge travel and transportation expenses of employees scheduled for involuntary separation to the operating appropriation.

j. Charge other phase down expenses to the appropriation specifically designated by the managing command. These expenses include but are not limited to the following:

(1) Preparation of facilities for turnover to General Services Administration (GSA).

(2) Travel and transportation of employees placed with other DA activities before separation.

(3) Nonproductive time of employees.

(4) Retraining programs

(5) Personnel placement teams.

k. Charge costs incurred in transferring general purpose equipment and other nonproduction equipment from use to storage within another DBOF activity to the operating appropriation. This includes PCHT costs. DFAS-IN/AM will designate the specific project account to be used with the formal announcement of installation inactivation or activity reduction.

l. Issue funds through command channels for expenses incurred for plant closing, layaway, custody, and property disposal operations, based on requirements submitted by the DBOF facility.

m. The DBOF facility will request and obtain citations of funds directly from non-U.S. Army activities claiming equipment or accepting employees as a result of inactivation or reduction actions.

n. The DBOF facility will receive funds through command channels for transportation and temporary duty (TDY) travel of DBOF employees in functional transfers.

o. Separately identify payroll costs of non-productive employees in the activities accounts until such employees are transferred or terminated. Non-productive employees are those employees who are no longer required to support the productive activity of the installation and who are kept on the payroll pending a job offer or for retraining. For this purpose payroll costs include:

(1) All sick leave payments made after date of closure to former employees whose final release is delayed pending disability retirement.

(2) Base pay plus the Federal Government's share of retirement and disability funds.

(3) Federal Insurance Contribution Act (FICA).

(4) Federal Employees' Health Benefit Act (FEHBA).

(5) Federal Employees' Government Life Insurance (FEGLI).

(6) Medical care (MEDICARE).

p. Separately identify the accrued annual leave liability for such personnel in the accounting records at the time the non-productive status is determined.

q. Reimburse payroll costs identified to non-productive employees from the operating appropriation of the supervisory command. These payroll costs are less annual leave taken, and are charged to the separately identified accrued annual leave liability accounts. Upon exhausting the separately identified accrued annual leave by specific employee, reimburse total payroll costs to the DBOF from the operating appropriation.

r. The DBOF will pay severance pay to employees involuntarily separated from Federal Government service (Reduction in Force (RIF) action). If the severance pay is initially accrued and paid by DBOF, transfer the pay costs to the activity's accounts provided. Reimburse the DBOF from the operating appropriation.

s. When transferring non-productive personnel from one DBOF activity to another, transfer the leave liability and the resources to liquidate the liability. If the employees' total earned leave exceeds the separately identified leave balance, the receiving activity will absorb the difference.

t. When transferring non-productive personnel from a DBOF activity to a non-DBOF activity, or another non DBOF DoD activity, the losing activity will account for the balance of the annual leave liability.

### **38-6. U.S. Army Family Housing (AFH) Accounts**

#### *a. Overview.*

(1) The AFH appropriation 21\*7025 provides funds for the full life cycle of family housing dwelling units. Annual funds provide for the operation and maintenance of U.S. Army controlled family housing and the leasing of family housing. Annual funds provide for payment of mortgage principal and interest on specific privately financed housing projects. Collect payments for rents, services, and damage repair received from occupants of U.S. Army family housing and mobile home facilities into the AFH reimbursement accounts. Transactions applicable to the borrowing and repayments of principal amounts of Capehart and Wherry indebtedness are excluded from the provisions of this regulation.

(2) The AFH military construction appropriation 21\*7020 provides funds for the full life cycle of family housing dwelling units and related facilities. Multi-year (5 years) funds are appropriated and authorized for the construction, improvement, and acquisition of family housing. DFAS-IN Manual 37-100-FY gives

management structure and fiscal accounting classifications to be used in accounting for family housing. AR 210-50 (Family Housing Management) provides guidance on program development, administration and statutory limitations, and management of family housing. Chapter 7 provides budgeting guidance. AR 210-50 and this regulation provides cost reporting instructions.

#### *b. Accounting for family housing.*

(1) Funds for approved projects under Budget Project (BP) Account 100000, new construction, and BPA 200000, acquisition of housing, are available for obligation through the completion of the projects. Funds do not expire for obligation until project completion.

(2) Minor construction projects of \$430,000 or less under BP account 600000 are for post acquisition construction. Funds are available for obligation in a succeeding fiscal year only for project approved in writing by the cognizant approval authority not later than September 30 of the applicable fiscal year.

(3) BP account 610000 funds for other minor construction projects approved by HQDA are for line item improvement projects. They are available for obligation in succeeding fiscal years for completion of approved projects. Otherwise these funds will not be available for obligation beyond the end of the fiscal year for which they were provided. Report unobligated balances of these funds not required for completion of approved projects to HQDA (CEHSC-HS) as available for withdrawal.

(4) Funds for BP account 300000, planning and design, are not available beyond the end of the fiscal year provided. Unobligated balances reported on year-end certified reports as of September 30 will be reported to HQDA (CEHSC-HS) as available for withdrawal.

(5) Record obligations at the time incurred (see Chapter 9). Record costs at the time applied (upon performance of services or delivery of supplies) and not based on obligations incurred. Account for and report basic symbol 7020 obligations for projects 100000, 200000, 300000, and 600000 in the detail necessary to identify them by authorized individual construction project. Record and report basic symbol 7025 obligations at the level of budget projects 1910, 1911, 1912, 1913, 1914, 1920, 1930, and 1940. Record and report costs for the AFH at the lower level of detail specified in DFAS-IN Manual 37-100-FY.

(6) Appropriation accounts, such as OMA and RDTE, will provide supplies and services, under "automatic reimbursement" procedures for AFH, except where charges are made directly to the AFH. The carrier program technique may be used in the initial financing of supplies and services of a routine, recurring nature. These are supplies and services common to both family housing and installation base



operations activities. Before closing the accounts at the end of each month, costs will be determined and reimbursement will be made to the carrier program.

(7) In-house nonrecurring work performed by the facilities engineer or other U.S. Army activities under the requirements and conditions in Chapter 12 will be on a MIPR (DD Form 448). Upon acceptance by the performing activity, the order will represent a valid obligation against AFH funds, and will be retained until the order is completed or canceled.

(8) Obligate and cost for family housing leases, procurement of initial issue quarters furniture, and contracts directly identifiable with the family housing program to the projects specified in DFAS-IN Manual 37-100-FY.

(9) Accumulate administrative and similar type costs incurred, identifiable with family housing but not identifiable with a specific category of housing as specified in DFAS-IN Manual 37-100-FY.

(10) AFH pays operation and maintenance costs of non-dwelling buildings required solely for the support of family housing units. This includes any single building used exclusively for family housing management offices or for storage of family housing furnishings. Charge costs of procuring and maintaining office furniture and equipment used in these buildings to family housing.

(11) AFH cost accounting policy is in Chapter 26.

(12) Charge utility costs to the applicable family housing accounts at the end of each month. Determine the costs by meter readings, if available, or by engineering analysis based on sampling where it is not economically feasible to install and use meters.

(13) Record centrally procured furnishings (initial or replacement) as a funded cost by the procuring activity (simultaneously with the incurrence of obligations). The receiving activity will account for subsequent issues of these family housing furnishings from installations as a free issue.

(14) Allocate costs involving joint use of facilities, vehicles, equipment, and manpower for family housing and bachelor housing furnishings on a pro rata basis between the financing appropriations. For additional information, see AR 210-50.

(15) Charge civilian personnel assigned full-time to family housing offices to AFH. When the housing office includes bachelor housing functions, charge only that portion of civilian labor costs applicable to family housing to the AFH. Whenever possible, determine charges to AFH for civilian personnel paid from other funds based on work effort applied directly to properties included in the family housing inventory.

(a) The cost of reimbursable services of civilian personnel paid from funds other than AFH will be increased by the 29 percent acceleration factor. This is to cover annual, sick, and holiday leave and employer contributions for taxes and employee

insurance, health benefits, and retirement programs. Include this acceleration factor only if these costs are not already included in labor cost factors.

(b) Locally developed rates (including labor, leave, and employers' contributions only) may be used instead of the 29 percent acceleration factor. This is allowable when the labor distribution system used by the post engineer employs shop or productive expense rates to distribute labor costs to family housing. Do not include other costs in these rates that must be developed in deriving post engineer rates as specified in this regulation.

(16) Account for military personnel directly assigned to or performing services for family housing as an unfunded cost within the family housing structure. Identify costs as nearly as possible to the correct item of expense and category of housing. Military labor is the only unfunded cost authorized in the AFH.

(17) Charge AFH for incidental consumable supplies and non-personal services, directly identifiable and measurable to the AFH program, when AFH is the sole customer. Also charge AFH when the AFH portion of those services is readily identifiable. An example is a purchase order for forms used only in meeting family housing needs or services, such as refuse collection and disposal or custodial service.

(18) Certain services are furnished in support of the family housing program for which it is not feasible to make a direct charge to AFH. Examples are the facilities engineer office, supply activities, and finance and accounting office. Charge these indirect costs of installation support activities to AFH as prescribed in Chapter 26.

(19) Maintain separate subordinate cost accounting records at the detail activity and performance level for each set of general officers' quarters (see DFAS-IN Manual 37-100-FY). Maintain these cost records for special reporting purposes to provide an analysis of the directly identifiable costs for the operation and maintenance of each set of general officers' quarters.

(20) Installations having 30 or fewer family housing units under their control are not required to maintain detail cost accounts as prescribed in DFAS-IN Manual 37-100-FY. Maintain levels required for reporting to DFAS-IN and to meet the requirements specified in AR 210-50. This is optional where cost accounting operations for several installations or housing locations are consolidated for a total of 30 or more units. A determination should be made whether administrative savings would be realized or other circumstances exist.

*c. Accounting for services provided to AFH.*  
Account for services provided to AFH by other appropriations under the "automatic reimbursement" procedures. See Chapter 12 for reimbursement procedures. Do not incur costs in excess of the

amount previously estimated by the reimbursable order without prior determination of availability of AFH funds by the Family Housing Manager (see AR 210-50).

*d. Reimbursements earned and collections.*

Account for reimbursements authorized and earned in the operation and maintenance of family housing facilities as funded reimbursements. Credit reimbursements to AFH account 1910 based on projects in which the related cost was incurred. Bill for services furnished in the same amounts as costs incurred in the AFH. An example is utilities initially paid by OMA funds and charged to the AFH at a fixed rate based on an engineering analysis. Use that same rate to obtain reimbursement to the AFH from the actual users of those utilities. This does not apply to rentals collected for occupancy of Capehart Housing. See AR 210-12 for basic principles in establishing and administering rates for Federal employees. See DFAS-IN Manual 37-100-FY for the proper source codes to be used to identify cash collections for services (excluding rentals) furnished civilian occupants of family housing units. Identify collections with the installation (fiscal station number) that received the related obligation authority. Deposit rental receipts as prescribed in DFAS-IN Manual 37-100-FY unless the AFH account is to be reimbursed for rental receipts when specifically authorized by DoD in special agreements. Deposit collections from individuals for damages to the operations and maintenance account for AFH. Deposit collections from individuals for damages, replacement of items, and rental of U.S. Government owned furniture as specified in DFAS-IN Manual 37-100-FY. Reimbursements for services, excluding rentals and related utilities furnished by AFH, is limited to the following:

(1) Charges against non-DoD agencies sponsoring occupants of family dwelling units where the operation and maintenance support is provided by the host U.S. Army activity or installation. Operation and maintenance support to or from another DoD activity will be on a common support basis.

(2) Do not account for utilities and related services (except telephone services), where authorized to be furnished to military and civilian personnel without charge, as reimbursable items.

(3) Charges levied for moving and locating a privately owned house trailer or mobile home on a U.S. Government owned (U.S. Army controlled) facility provided for that purpose. This includes connecting utilities, any special site preparation, or towing involved, and other associated costs.

*e. Month-end billing.* At the end of each month, determine the actual support costs incurred in the Base Operations cost accounts in OMA. Also include the cost account series in RDTE and DBOF applicable to AFH. Upon completion of the

determination, prepare an SF 1080 (no-check drawn). Charge AFH funds and credit the financing appropriation or DBOF for the costs incurred applicable to AFH subject to the limitations specified in paragraph c, above. Support the SF 1080 billings with a detail break out of charges to the applicable AFH by detail AMS and elements of resource.

*f. Cost accounting.* The following methods may be used by appropriation financed activities to develop and provide support for the family housing accounts:

(1) The local management structure may be expanded, as appropriate, where the existing system is inadequate. This will permit common use of source documents. Also a single detail cost accounting operation will provide support for both the base operations and the family housing cost accounting systems.

(2) The use of program cost accounting data and records method is appropriate for such data requirements as developing administration and supply handling costs. It is also appropriate for obtaining unit costs of utilities consumed where the supporting activity has an adequate system. (Some examples are: kilowatt hour (KWH) of electricity, "M" gallons of water, and "M" gallons of sewage). Obtain data for the family housing cost records by processing a journal voucher at the end of each month. Refer to the base operations accounts cost accounting records. Reflect the computation of data allocatable to each category of family housing. Maintain budget project subordinate detail cost account ledgers for each category of housing and other noncategory costs as prescribed in DFAS-IN Manual 37-100-FY. Identify detail cost data as to funded or unfunded labor costs, overhead (for DBOF only), and other funded costs. These costs must be identified to the AMSCO and EORs to meet data reporting requirements prescribed in Chapters 29 and 30.

### **38-7. DBOF Capital Budgeting**

Implementation of the Capital Budget requires that controls be established to ensure that:

a. obligations incurred for capital purchases are not greater than the authorized budgetary resources in the Annual Operating Budget (AOB);

b. expenses are recorded for the depreciation of capital assets; and,

c. revenues from capital surcharges applied in customer rates are recorded and used as the source of funding for related capital purchases.

### **38-8. Capital accounting processes**

a. Recording capital budget authority and obligations against the capital budget. The authority to incur obligations for capital assets is contained in the Capital Budget. The authority establishes a monetary limit subject to a 31 U.S. Code, Section

1517, Revised Statutes (RS) violation. The Capital Budget provides the authority to purchase, within available resources, approved items in the current year's Capital Budget request.

(1) Capital asset amounts not executed, that is, not obligated during the initial year received, will be carried forward to subsequent year(s) until they are totally obligated, and the capital asset is completed, delivered and installed.

(2) In addition to retaining funding availability from year to year, reports must identify the initial year of the funding authorization received and amounts carried forward, obligated, and expended. Separately identify the prior year unobligated line items by program year in the current year capital budget. Identify such amounts to the initial program year at the point of obligation, regardless of the length of time necessary to complete a capital asset effort.

(3) All DBOF activities will maintain separate accounts for the approved operations and Capital Budget Authority contained in the AOB. Separate subaccounts for recording capital budget authority and capital budget availability include these categories:

(a) Equipment Other than ADPE & Telecommunications

(b) ADPE & Telecommunications Equipment

(c) Software Development

(d) Minor Construction

(e) Management Improvements/Initiatives

(4) Activities will record amounts in the Capital Budget section of an activity AOB in the capital budget authority and capital budget availability accounts corresponding to the categories of approved capital budget amounts. Use obligations for capital asset acquisition to reduce the respective capital budget availability for the category of asset being acquired.

b. Recording outlays against the capital budget. Report outlays for the Capital Budget in the fiscal year of disbursements for Capital Budget purchases. Separately report outlays against the Capital Budget based on the disbursement transaction, and not receipt of the capital asset. Sub-accounts exist to distinguish between operating and capital budget disbursements. Report outlays against the Capital Budget program on the Statement of Operations.

c. Recording surcharge revenue/collections. Segregate approved surcharge amounts included in customer rates from revenues generated from operations. Include approved surcharge amounts in billings to customers. Record such amounts collected from customers in "Funds Collected" or "Revenue" according to the type surcharge applied. Billings to customers from these activities will include any applicable surcharge for Major Construction projects. Record such surcharge amounts as noted above. Record revenue from surcharges upon recognition of

revenue, and re-cord funds collected from surcharges when collect-ed (the two actions may not be concurrent). In this example, recognize revenue and record earned reimbursements for sales of goods or services provided to the DBOF customer. Recognize funds collected when collections from customer funds are made into the DBOF Treasury account.

d. Capital surcharges applied to revenue. Record surcharges as revenue based on the approved AOB of the Army. This general guidance applies:

(1) Record surcharge (Capital Asset-DBOF) based on the surcharge approved in the AOB.

(2) Record depreciation (Depreciation-DBOF) based on the approved depreciation surcharge contained in the AOB.

(3) Record Major Construction (MILCON-DBOF) based on the Major Construction surcharge approved in the AOB.

### **38-9. Reporting capital budget actions**

Report on the Report of Operations (Accounting Report 1307) the value of capital asset obligations and outlays, surcharge and depreciation revenue, costs incurred for depreciation, and unfunded costs for depreciation. Army activities must submit this report for **all** DBOF business areas. Report the values in each category as follows:

a. Obligations for capital assets. Report the value of obligations made for capital assets fiscal year to date. Record and report obligations in the fiscal period (month) the signed documents make the government liable for payment.

b. Outlays for capital assets. Report the total of all disbursements made fiscal year to date for capital asset obligations. Activities may make outlays against obligations authorized under current or prior fiscal year authority. Activities may also make outlays prior to or subsequent to receipt and acceptance of the capital asset.

c. Surcharge revenue. Report the cumulative amount of revenue generated by surcharges authorized and applied. Amounts reported are revenues generated by applying the approved surcharge factor against the normal revenue earned by the DBOF activity.

d. Depreciation expense. Report the funded depreciation amount expensed in the current fiscal year. (Do not include the expense for prior periods for found or donated items placed in service on or after October 1, 1991, without preexisting depreciation schedules.)

e. Unfunded depreciation expense. Report the unfunded depreciation amount recognized in the current fiscal year. This includes depreciation on items not subject to funded depreciation.

### **38-10. Homeowners assistance program**

a. Commanders of USACE District Real Estate Divisions are responsible for appraising homes, negotiating terms with homeowners, and paying homeowners under the Homeowners Assistance Program (HAP). The homeowners assistance program (HAP) is a DoD program. It was established to provide financial assistance to eligible homeowners in the disposal of their one- or two-family dwellings. Eligible homeowners can be either Federal employees, non-appropriated employees, or soldiers. These dwellings must be near military installations ordered closed in whole or in part, after Nov 1, 1964, or that reduced in scope of operations on or after Oct 28, 1969. HAP does not cover temporary employees serving under a time limitation, or independent contractors and their employees. HAP provisions may be exercised when the real estate market is so adversely affected that eligible homeowners are unable to dispose of their dwellings under reasonable terms and conditions. The U.S. Army Corps of Engineers (USACE) determines the impact of a base closure/realignment announcement, USACE does the initial survey (impact study) to determine if the announcement is a factor in the decline of the local real estate market. USACE does the initial site survey (study) before and after a base closure or reduction announcement. Benefits include-

- (1) Payments of partial compensation for losses sustained in the private sale of a dwelling.
- (2) Payments of the costs of the judicial foreclosure of a mortgage.
- (3) The purchase of a dwelling by the U.S. Government, as appropriate, except that this benefit is not available in foreign countries.

b. USACE District Real Estate Divisions is responsible for appraising homes, negotiating terms with the homeowner and paying the homeowner. USACE has the option of buying out property or assuming the mortgage. USACE pays the homeowner a percentage of the equity loss sustained in the private sale of their home. When USACE acquires a home, the deed is recorded to the U.S. Government and transferred with other documentary evidence of title to the Federal Housing Administration (FHA) within the Department of Housing and Urban Development (HUD).

c. The USACE administers HAP through the Homeowner's Assistance Fund, Defense Appropriation 97X4090. USACE serves as the appropriation manager, the U.S. Army as the "Executive Agent" and OSD as the proponent (parent) for this account. USACE works closely with the FHA. After homes are assumed by the U.S. Government, FHA is responsible for holding, managing, renovating (if necessary), renting, or disposing of these properties.

d. The program is funded from three sources.

These sources are an annual appropriation; borrowing from the private sector (assuming mortgages); and revenue from the sale of homes. Funding for the annual appropriation and revenues from the sale of homes is subject to apportionment. There are three types of liabilities:

- (1) Expenses, including interest payments.
- (2) Equity and mortgage liquidation payments, and
- (3) Mortgages assumed.

e. In addition, because the fund is a revolving account, there are two further controls:

- (1) Disbursements cannot exceed total cash available.
- (2) Obligations cannot exceed budgetary resources available.

f. The USACE can obtain title to the property by buying a homeowner's equity and if necessary, assuming the outstanding mortgages. Another option is to pay off (liquidate) the mortgage(s) on the property. According to an interagency agreement between DoD and HUD, the FHA will maintain, manage and dispose of homes acquired by USACE. FHA may rent these homes, and will make principal and interest payments on mortgages assumed or sell homes for cash. FHA may also transfer existing mortgages and collect sales proceeds. USACE issues a reimbursable order to FHA to perform these functions.

g. OSD issues obligation and disbursement authority to the U.S. Army for HAP, appropriation 97X4090.0100, including the following limitations subject to 31 USC 1517:

- (1) The authority provided to incur obligations is automatically increased by an amount equal to the value of the mortgages assumed, up to a designated ceiling, under the authority of PL 89-754, as amended;

- (2) This authority provided to incur obligations is for interest payments and other expenses but not for payments on debt principal owed;

- (3) Revenue applied shall not exceed the amount earned for the fiscal year.

- (4) Current fiscal year (CFY) ceiling set for principal payments on assumed mortgages.

h. USACE receives a FAD from HQDA for this program. The FAD may have the following types of authority available to issue to USACE:

- (1) Direct money used for survey work, appraisals, maintenance of property, costs incurred in buying and selling, interest on mortgages assumed, mortgage liquidation payments and equity payments. Funds are issued under limit of "0100" with dollar limitation.

- (2) A ceiling related to the value of mortgages that can be assumed by USACE.

- (3) A ceiling limiting cash disbursements that can be made for principal payments. Excludes interest or

liquidation of mortgages for property sold, or mortgages transferred to a subsequent buyer.

i. USACE will record obligation and accrued expenditure data for mortgages assumed as of the date of settlement for acquisition of a home. USACE will record the obligation and accrued expenditure data for the amount reimbursed to homeowners for loss on a private sale or for an amount payable in a foreclosure case. USACE will use the date of the homeowner's written acceptance of the amount of proposed reimbursement or foreclosure relief as the recording date for the obligation. USACE will maintain general ledger accounts and render required reports for HAP according to this regulation. See Figure 38-1 for an illustration of accounting entries for this program. See Chapter 4 for general ledger pro forma entries. The following are the administrative limits used for HAP. DFAS-IN Manual 37-100-FY explains these limits and project codes.

(1) *Limit .0100-Allocations to the Department of the Army Project/Budget.*

(2) *Limit .0122-Expenditures.* Expenditures under this limit will include:

- (a) the balance due on mortgages assumed at the time of acquisition;
- (b) equity payments to the homeowner;
- (c) mortgage liquidation payments to mortgage holders;
- (d) loss on private sales;
- (e) payments in foreclosure cases;
- (f) appraisals;
- (g) COE administrative expense;
- (h) FHA incurred expenses;
- (i) revenues from district sale of homes by FHA and from the balance due on a mortgage assumed at the time the mortgage is transferred to a new buyer. Record revenues to this limit for the balance due on a mortgage assumed at the time the mortgage is transferred to a new buyer. Also, record the amounts from direct sales of homes by FHA.

(3) *Limit .0187-Borrowing account decreases.* Record mortgage principal payments (monthly and mortgage prepayments) on mortgages assumed with mortgage payable balances transferred to buyers as decreases to this account.

(4) *Limit .0197-Borrowing account increases.* Record the balance due on mortgages assumed at time of acquisition as increases (credit amount) under this limit.

j. See Chapters 29 and 30 for the RCS CSCFA-218 and the RCS CSCFA-112/CSCAA-118 reports.

The following illustration of accounting entries is provided to explain this program.

1. Prior fair market value (PFMV) \$100,000.
2. Fair market value on date of sale \$80,000.
3. Mortgage outstanding balance
  - a. \$50,000

- b. \$88,000
- 4. Sales price on private sale
  - a. \$70,000
  - b. \$82,000
- 5. Government property (FHA/HUD) sold at \$70,000

A. In those cases where private sale on reasonable terms and conditions is not possible, the U.S. Government will purchase the property for 75 percent of its "prior fair market value" or the amount of the outstanding mortgage, whichever is higher. The U.S. Government will also decide whether to liquidate or assume mortgages, whichever is the most advantageous to the U.S. Government based on current funding restraints. The examples below illustrates property purchased by the U.S. Government:

	Example 1	Example 2
To compute homeowners equity payment:		
Outstanding mortgage	\$50,000	\$88,000
PFMV	\$100,000	\$100,000
	X .75	X .75
75% of PFMV	\$75,000	\$75,000
Less outstanding mortgages	-50,000	-88,000
Amount due homeowner	\$25,000	\$0
To Process Equity Payment:		
97X4090.0122 Obligate and disburse	\$25,000	\$0
Mortgage is Assumed:		
97X4090.0197 Borrowing Account-Collect	\$50,000	(\$88,000)
97X4090.0122 Obligate and disburse	\$50,000	\$88,000
Mortgage Is Liquidated:		
97X4090.0122 Obligate and disburse	\$50,000	\$88,000
Principal Payment on Assumed Mortgage:		
97X4090.0187 Disburse	\$200	\$200
Outstanding mortgage is now	\$49,800	\$87,800
Payment to FHA/HUD Expenses:		
97X4090.0122	\$5,000	\$5,000

**Figure 38-1. Sample accounting entries for Homeowners Assistance Program**

Government (FHA to HUD) Sales Property:		
97X4090.0122 Establish	\$70,000	\$70,000
Process Earnings	\$70,000	\$70,000
Collect Sales Proceeds	\$70,000	\$70,000
Outstanding mortgage at date of sale	\$49,800	\$87,800
Less Mortgage purchased/assumed by buyer	(\$49,800)	(\$70,000)

Mortgage unassumed by buyer <sup>1</sup>	\$0	\$17,800
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B. In those cases where a private sale occurs, the applicant/homeowner must bear the first 5 percent of the loss. Reimbursement for the remaining loss is authorized for the difference between the PFMV and the Actual Sales Price or Fair Market Value on the date of sale, whichever is higher. The examples below illustrate private sale of property by the homeowner.

	Example 1	Example 2
To compute amount due applicant/homeowner:		
Prior Fair Market Value	\$100,000	\$100,000
	X .95	X .95
95% PFMV <sup>1</sup>	\$95,000	\$95,000
Less:		
Actual sale price, or	\$82,000	\$70,000
FMV (Fair Market Value) date of sale	\$80,000	\$80,000
Amount due applicant/homeowner	\$13,000	\$15,000
Payment to homeowner:		
97X4090.0122 Obligate and disburse <sup>2</sup>	\$13,000	\$15,000

Notes:

<sup>1</sup> When U.S. Government property is sold for less than the outstanding mortgage, that amount (unassumed) must be identified and will be reflected in the appropriate general ledger account.

<sup>2</sup> Homeowner must sell at or near fair market value at date of sale.

**Figure 38-1. Sample accounting entries for Homeowners Assistance Program** (continued)